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EN

I

(Acts whose publication is obligatory)

COUNCIL REGULATION (EC) No 974/98

of 3 May 1998

on the introduction of the euro

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 109l(4), third sentence thereof,

Having regard to the proposal from the Commission [1],

Having regard to the opinion of the European Monetary Institute [2],

Having regard to the opinion of the European Parliament [3],

(1) Whereas this Regulation defines monetary law provisions of the Member States which have adopted the euro; whereas provisions on continuity of contracts, the replacement of references to the ecu in legal instruments by references to the euro and rounding have already been laid down in Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro [4]; whereas the introduction of the euro concerns day-to-day operations of the whole population in participating Member States; whereas measures other than those in this Regulation and in Regulation (EC) No 1103/97 should be examined to ensure a balanced changeover, in particular for consumers;

(2) Whereas, at the meeting of the European Council in Madrid on 15 and 16 December 1995, the decision was taken that the term 'ecu' used by the Treaty to refer to the European currency unit is a generic term; whereas the Governments of the 15 Member States have reached the common agreement that this decision is the agreed and definitive interpretation of the relevant Treaty provisions; whereas the name given to the European currency shall be the 'euro'; whereas the euro as the currency of the participating Member States shall be divided into one hundred sub-units with the name 'cent'; whereas the definition of the name 'cent' does not prevent the use of variants of this term in common usage in the Member States; whereas the European Council furthermore considered that the name of the single currency must be the same in all the official languages of the European Union, taking into account the existence of different alphabets;

(3) Whereas the Council when acting in accordance with the third sentence of Article 109l(4) of the Treaty shall take the measures necessary for the rapid introduction of the euro other than the adoption of the conversion rates;

(4) Whereas whenever under Article 109k(2) of the Treaty a Member State becomes a participating Member State, the Council shall according to Article 109l(5) of the Treaty take the other measures necessary for the rapid introduction of the euro as the single currency of this Member State;

(5) Whereas according to the first sentence of Article 109l(4) of the Treaty the Council shall at the starting date of the third stage adopt the conversion rates at which the currencies of the participating Member States shall be irrevocably fixed and at which irrevocably fixed rate the euro shall be substituted for these currencies;

(6) Whereas given the absence of exchange rate risk either between the euro unit and the national currency units or between these national currency units, legislative provisions should be interpreted accordingly;

(7) Whereas the term 'contract' used for the definition of legal instruments is meant to include all types of contracts, irrespective of the way in which they are concluded;

(8) Whereas in order to prepare a smooth changeover to the euro a transitional period is needed between the substitution of the euro for the currencies of

[1] OJ C 369, 7. 12. 1996, p. 10.
[2] OJ C 205, 5. 7. 1997, p. 18.
[3] OJ C 380, 16. 12. 1996, p. 50.
[4] OJ L 162, 19. 6. 1997, p. 1.

the participating Member States and the introduction of euro banknotes and coins; whereas during this period the national currency units will be defined as sub-divisions of the euro; whereas thereby a legal equivalence is established between the euro unit and the national currency units;

(9) Whereas in accordance with Article 109g of the Treaty and with Regulation (EC) No 1103/97, the euro will replace the ECU as from 1 January 1999 as the unit of account of the institutions of the European Communities; whereas the euro should also be the unit of account of the European Central Bank (ECB) and of the central banks of the participating Member States; whereas, in line with the Madrid conclusions, monetary policy operations will be carried out in the euro unit by the European System of Central Banks (ESCB); whereas this does not prevent national central banks from keeping accounts in their national currency unit during the transitional period, in particular for their staff and for public administrations;

(10) Whereas each participating Member State may allow the full use of the euro unit in its territory during the transitional period;

(11) Whereas during the transitional period contracts, national laws and other legal instruments can be drawn up validly in the euro unit or in the national currency unit; whereas during this period, nothing in this Regulation should affect the validity of any reference to a national currency unit in any legal instrument;

(12) Whereas, unless agreed otherwise, economic agents have to respect the denomination of a legal instrument in the performance of all acts to be carried out under that instrument;

(13) Whereas the euro unit and the national currency units are units of the same currency; whereas it should be ensured that payments inside a participating Member State by crediting an account can be made either in the euro unit or the respective national currency unit; whereas the provisions on payments by crediting an account should also apply to those cross-border payments, which are denominated in the euro unit or the national currency unit of the account of the creditor; whereas it is necessary to ensure the smooth functioning of payment systems by laying down provisions dealing with the crediting of accounts by payment instruments credited through those systems; whereas the provisions on payments by crediting an account should not imply that financial intermediaries are obliged to make available either other payment facilities or products denominated in any particular unit of the euro; whereas the provisions on payments by crediting an account do not prohibit financial intermediaries from coordinating the introduction of payment facilities denominated in the euro unit which rely on a common technical infrastructure during the transitional period;

(14) Whereas in accordance with the conclusions reached by the European Council at its meeting held in Madrid, new tradeable public debt will be issued in the euro unit by the participating Member States as from 1 January 1999; whereas it is desirable to allow issuers of debt to redenominate outstanding debt in the euro unit; whereas the provisions on redenomination should be such that they can also be applied in the jurisdictions of third countries; whereas issuers should be enabled to redenominate outstanding debt if the debt is denominated in a national currency unit of a Member State which has redenominated part or all of the outstanding debt of its general government; whereas these provisions do not address the introduction of additional measures to amend the terms of outstanding debt to alter, among other things, the nominal amount of outstanding debt, these being matters subject to relevant national law; whereas it is desirable to allow Member States to take appropriate measures for changing the unit of account of the operating procedures of organised markets;

(15) Whereas further action at the Community level may also be necessary to clarify the effect of the introduction of the euro on the application of existing provisions of Community law, in particular concerning netting, set-off and techniques of similar effect;

(16) Whereas any obligation to use the euro unit can only be imposed on the basis of Community legislation; whereas in transactions with the public sector participating Member States may allow the use of the euro unit; whereas in accordance with the reference scenario decided by the European Council at its meeting held in Madrid, the Community legislation laying down the time frame for the generalisation of the use of the euro unit might leave some freedom to individual Member States;

(17) Whereas in accordance with Article 105a of the Treaty the Council may adopt measures to harmonise the denominations and technical specifications of all coins;

(18) Whereas banknotes and coins need adequate protection against counterfeiting;

(19) Whereas banknotes and coins denominated in the national currency units lose their status of legal tender at the latest six months after the end of the transitional period; whereas limitations on payments in notes and coins, established by Member States for public reasons, are not incompatible with the status of legal tender of euro banknotes and coins, provided that other lawful means for the settlement of monetary debts are available;

(20) Whereas as from the end of the transitional period references in legal instruments existing at the end of the transitional period will have to be read as references to the euro unit according to the respective conversion rates; whereas a physical redenomination of existing legal instruments is therefore not necessary to achieve this result; whereas the rounding rules defined in Regulation (EC) No 1103/97 shall also apply to the conversions to be made at the end of the transitional period or after the transitional period; whereas for reasons of clarity it may be desirable that the physical redenomination will take place as soon as appropriate;

(21) Whereas paragraph 2 of Protocol 11 on certain provisions relating to the United Kingdom of Great Britain and Northern Ireland stipulates that, *inter alia,* paragraph 5 of that Protocol shall have effect if the United Kingdom notifies the Council that it does not intend to move to the third stage; whereas the United Kingdom gave notice to the Council on 30 October 1997 that it does not intend to move to the third stage; whereas paragraph 5 stipulates that, *inter alia,* Article 109l(4) of the Treaty shall not apply to the United Kingdom;

(22) Whereas Denmark, referring to paragraph 1 of Protocol 12 on certain provisions relating to Denmark has notified, in the context of the Edinburgh decision of 12 December 1992, that it will not participate in the third stage; whereas, therefore, in accordance with paragraph 2 of the said Protocol, all Articles and provisions of the Treaty and the Statute of the ESCB referring to a derogation shall be applicable to Denmark;

(23) Whereas, in accordance with Article 109l(4) of the Treaty, the single currency will be introduced only in the Member States without a derogation;

(24) Whereas this Regulation, therefore, shall be applicable pursuant to Article 189 of the Treaty, subject to Protocols 11 and 12 and Article 109k(1),

HAS ADOPTED THIS REGULATION:

PART I

DEFINITIONS

Article 1

For the purpose of this Regulation:

- 'participating Member States' shall mean Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland,
- 'legal instruments' shall mean legislative and statutory provisions, acts of administration, judicial decisions, contracts, unilateral legal acts, payment instruments other than banknotes and coins, and other instruments with legal effect,
- 'conversion rate' shall mean the irrevocably fixed conversion rate adopted for the currency of each participating Member State by the Council according to the first sentence of Article 109l(4) of the Treaty,
- 'euro unit' shall mean the currency unit as referred to in the second sentence of Article 2,
- 'national currency units' shall mean the units of the currencies of participating Member States, as those units are defined on the day before the start of the third stage of economic and monetary union,
- 'transitional period' shall mean the period beginning on 1 January 1999 and ending on 31 December 2001,
- 'redenominate' shall mean changing the unit in which the amount of outstanding debt is stated from a national currency unit to the euro unit, as defined in Article 2, but which does not have through the act of redenomination the effect of altering any other term of the debt, this being a matter subject to relevant national law.

PART II

SUBSTITUTION OF THE EURO FOR THE CURRENCIES OF THE PARTICIPATING MEMBER STATES

Article 2

As from 1 January 1999 the currency of the participating Member States shall be the euro. The currency unit shall be one euro. One euro shall be divided into one hundred cent.

Article 3

The euro shall be substituted for the currency of each participating Member State at the conversion rate.

Article 4

The euro shall be the unit of account of the European Central Bank (ECB) and of the central banks of the participating Member States.

PART III

TRANSITIONAL PROVISIONS

Article 5

Articles 6, 7, 8 and 9 shall apply during the transitional period.

Article 6

1. The euro shall also be divided into the national currency units according to the conversion rates. Any subdivision thereof shall be maintained. Subject to the provisions of this Regulation the monetary law of the participating Member States shall continue to apply.

2. Where in a legal instrument reference is made to a national currency unit, this reference shall be as valid as if reference were made to the euro unit according to the conversion rates.

Article 7

The substitution of the euro for the currency of each participating Member State shall not in itself have the effect of altering the denomination of legal instruments in existence on the date of substitution.

Article 8

1. Acts to be performed under legal instruments stipulating the use of or denominated in a national currency unit shall be performed in that national currency unit. Acts to be performed under legal instruments stipulating the use of or denominated in the euro unit shall be performed in that unit.

2. The provisions of paragraph 1 are subject to anything which parties may have agreed.

3. Notwithstanding the provisions of paragraph 1, any amount denominated either in the euro unit or in the national currency unit of a given participating Member State and payable within that Member State by crediting an account of the creditor, can be paid by the debtor either in the euro unit or in that national currency unit. The amount shall be credited to the account of the creditor in the denomination of his account, with any conversion being effected at the conversion rates.

4. Notwithstanding the provisions of paragraph 1, each participating Member State may take measures which may be necessary in order to:

— redenominate in the euro unit outstanding debt issued by that Member State's general government, as defined in the European system of integrated accounts, denominated in its national currency unit and issued under its own law. If a Member State has taken such a measure, issuers may redenominate in the euro unit debt denominated in that Member State's national currency unit unless redenomination is expressly excluded by the terms of the contract; this provision shall apply to debt issued by the general government of a Member State as well as to bonds and other forms of securitised debt negotiable in the capital markets, and to money market instruments, issued by other debtors,

— enable the change of the unit of account of their operating procedures from a national currency unit to the euro unit by:

  (a) markets for the regular exchange, clearing and settlement of any instrument listed in section B of the Annex to Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field [1] and of commodities; and

  (b) systems for the regular exchange, clearing and settlement of payments.

5. Provisions other than those of paragraph 4 imposing the use of the euro unit may only be adopted by the participating Member States in accordance with any time-frame laid down by Community legislation.

6. National legal provisions of participating Member States which permit or impose netting, set-off or techniques with similar effects shall apply to monetary obligations, irrespective of their currency denomination, if that denomination is in the euro unit or in a national currency unit, with any conversion being effected at the conversion rates.

Article 9

Banknotes and coins denominated in a national currency unit shall retain their status as legal tender within their territorial limits as of the day before the entry into force of this Regulation.

PART IV

EURO BANKNOTES AND COINS

Article 10

As from 1 January 2002, the ECB and the central banks of the participating Member States shall put into circulation banknotes denominated in euro. Without prejudice to Article 15, these banknotes denominated in euro shall be the only banknotes which have the status of legal tender in all these Member States.

[1] OJ L 141, 11. 6. 1993, p. 27. Directive as amended by Directive 95/26/EC of the European Parliament and of the Council (OJ L 168, 18. 7. 1995, p. 7).

Article 11

As from 1 January 2002, the participating Member States shall issue coins denominated in euro or in cent and complying with the denominations and technical specifications which the Council may lay down in accordance with the second sentence of Article 105a(2) of the Treaty. Without prejudice to Article 15, these coins shall be the only coins which have the status of legal tender in all these Member States. Except for the issuing authority and for those persons specifically designated by the national legislation of the issuing Member State, no party shall be obliged to accept more than 50 coins in any single payment.

Article 12

Participating Member States shall ensure adequate sanctions against counterfeiting and falsification of euro banknotes and coins.

PART V

FINAL PROVISIONS

Article 13

Articles 14, 15 and 16 shall apply as from the end of the transitional period.

Article 14

Where in legal instruments existing at the end of the transitional period reference is made to the national currency units, these references shall be read as references to the euro unit according to the respective conversion rates. The rounding rules laid down in Regulation (EC) No 1103/97 shall apply.

Article 15

1. Banknotes and coins denominated in a national currency unit as referred to in Article 6(1) shall remain legal tender within their territorial limits until six months after the end of the transitional period at the latest; this period may be shortened by national law.

2. Each participating Member State may, for a period of up to six months after the end of the transitional period, lay down rules for the use of the banknotes and coins denominated in its national currency unit as referred to in Article 6(1) and take any measures necessary to facilitate their withdrawal.

Article 16

In accordance with the laws or practices of participating Member States, the respective issuers of banknotes and coins shall continue to accept, against euro at the conversion rate, the banknotes and coins previously issued by them.

PART VI

ENTRY INTO FORCE

Article 17

This Regulation shall enter into force on 1 January 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States, in accordance with the Treaty, subject to Protocols 11 and 12 and Article 109k(1).

Done at Brussels, 3 May 1998.

For the Council

The President

G. BROWN

COUNCIL REGULATION (EC) No 975/98

of 3 May 1998

on denominations and technical specifications of euro coins intended for circulation

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 105a(2) thereof,

Having regard to the proposal from the Commission [1],

Having regard to the opinion of the European Monetary Institute [2],

Acting in accordance with the procedure laid down in Article 189c of the Treaty [3],

(1) Whereas, at the meeting of the European Council in Madrid on 15 and 16 December 1995, the scenario for the changeover to the single currency was adopted which provides for introduction of euro coins by 1 January 2002 at the latest; whereas the precise date for the issue of euro coins will be decided when the Council adopts its regulation on the introduction of the euro immediately after the decision on the Member States adopting the euro as the single currency has been taken as early as possible in 1998;

(2) Whereas, according to Article 105a(2) of the Treaty, Member States may issue coins subject to approval by the European Central Bank (ECB) of the volume of the issue and the Council may, acting in accordance with the procedure referred to in Article 189c and after consulting the ECB, adopt measures to harmonise the denominations and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the Community;

(3) Whereas the European Monetary Institute has indicated that euro banknotes will range from EUR 5 to EUR 500; whereas the denominations of banknotes and coins will need to allow for cash payments of amounts expressed in euro and cent to be made easily;

(4) Whereas the mint directors of the Community received a mandate from the Council to study and elaborate a report for a European single coinage system; whereas they submitted a report in November 1996 followed by a revised report in February 1997 indicating the denominations and technical specifications (diameter, thickness, weight, colour, composition and edge) of the new euro coins;

(5) Whereas the new European single coinage system should induce public confidence and entail technological innovations that would establish it as a secure, reliable and efficient system;

(6) Whereas the acceptance of the new system by the public is one of the main objectives of the Community coinage system; whereas public confidence in the new system would depend on the physical characteristics of the euro coins, which should be as user-friendly as possible;

(7) Whereas consultations with consumer associations, the European Blind Union and representatives of the vending machines industry have been carried out to take into account the specific requirements of important categories of coin users; whereas, in order to ensure a smooth changeover to the euro and to facilitate acceptance of the new coinage systems by users, easy distinction between coins through visual and tactile characteristics will need to be guaranteed;

(8) Whereas the new euro coins will be more readily distinguishable and easier to become accustomed to if there is a link between their diameter and face value;

(9) Whereas certain special security features are needed in order to reduce the scope for fraud for the 1 and 2 euro given their high value; whereas the use of a technique whereby coins are made in three layers and the combination of two different colours in the coin are considered to be the most efficient security features available today;

(10) Whereas giving the coins one European and one national side is an appropriate expression of the idea

[1] OJ C 208, 9. 7. 1997, p. 5 and OJ C 386, 20. 12. 1997, p. 12.
[2] Opinion delivered on 25 June 1997 (OJ C 205, 5. 7. 1997, p. 18).
[3] Opinion of the European Parliament of 6 November 1997 (OJ C 358, 24. 11. 1997, p. 24), Council common position of 20 November 1997 (OJ C 23, 23. 1. 1998, p. 1) and Decision of the European Parliament of 17 December 1997 (OJ C 14, 19. 1. 1998).

of European monetary union between Member States and could significantly increase the degree of acceptance of the coins by European citiziens;

(11) Whereas on 30 June 1994 the European Parliament and the Council adopted Directive 94/27/EC [1], which limited the use of nickel in certain products in recognition that nickel could be cause of allergies under certain conditions; whereas coins are not covered by that Directive; whereas, nevertheless, some Member States already use a nickel-free alloy called Nordic Gold in their current coinage system for reasons of public health; whereas it seems desirable to reduce the nickel content of coins when moving to a new coinage system;

(12) Whereas it is therefore appropriate to follow in princple the proposal of the aforesaid mint directors and to adapt it only to the extent necessary to take into account in particular the specific requirements of important categories of coin users and the need to reduce the use of nickel in coins;

(13) Whereas of all prescribed technical specifications for euro coins, only the value for thickness is of an indicative nature, since actual thickness of a coin depends on prescribed diameter and weight,

HAS ADOPTED THIS REGULATION:

Article 1

The first series of euro coins will include eight denominations in the range from 1 cent to 2 euro with the following technical specifications:

Face value (euro)	Diameter in mm	Thickness in mm [1]	Weight in gr	Shape	Colour	Composition	Edge
2	25,75	1,95	8,5	Round	External part: white Internal part: yellow	Copper-nickel (Cu75Ni25) Three-layers: nickel-brass/nickel/nickel-brass CuZn20Ni5/Ni12/CuZn20Ni5	Edge lettering Fine milled
1	23,25	2,125	7,5	Round	External part: yellow Internal part: white	Nickel-brass (CuZn20Ni5) Three-layers: Cu75Ni25/Ni7/Cu75Ni25	Interrupted milled
0,50	24,25	1,69	7	Round	Yellow	Nordic Gold Cu89Al5Zn5Sn1	Coarse milled
0,20	22,25	1,63	5,7	'Spanish flower' shape	Yellow	Nordic Gold Cu89Al5Zn5Sn1	Plain
0,10	19,75	1,51	4,1	Round	Yellow	Nordic Gold Cu89Al5Zn5Sn1	Coarse milled
0,05	21,25	1,36	3,9	Round	Red	Copper-covered steel	Smooth
0,02	18,75	1,36	3	Round	Red	Copper-covered steel	Smooth with a groove
0,01	16,25	1,36	2,3	Round	Red	Copper-covered steel	Smooth

[1] The values relating to thickness are of an indicative nature.

[1] OJ L 188, 22. 7. 1994, p. 1.

Article 2

This Regulation shall enter into force on 1 January 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States, in accordance with the Treaty, subject to Article 109k(1) and Protocols 11 and 12.

Done at Brussels, 3 May 1998.

For the Council

The President

G. BROWN

II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Belgium

(98/307/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in Belgium; whereas, in accordance with Article 104c(7), the Council made recommendations to Belgium with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Belgium before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

Since 1993, the government deficit in Belgium has declined significantly and in 1997 it reached 2,1 % of GDP, which is below the Treaty reference value. It is forecast to decline to 1,7 % of GDP in 1998. According to the 1997 convergence programme of Belgium, the government deficit is projected to decline further to 1,4 % of GDP in 2000.

The government debt ratio peaked in 1993 at 135,2 % of GDP but has been declining every year since then to 122,2 % in 1997. A further decline is expected for 1998 and projected to continue in the following years in the Belgian convergence programme.

[1] OJ L 332, 31. 12. 1993, p. 7.

[2] Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.

The reduction of the deficit and in particular the level reached by the primary surplus, amounting to more than 5 % of GDP since 1994, have contributed to putting the debt ratio on a downward path. Since the adoption of its convergence programme, the Belgian government has reconfirmed its commitment to maintain the primary surplus at the level of some 6 % of GDP over the medium term. This primary surplus is essential to maintaining the debt ratio on its sustainable downward path.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term; the government debt ratio has been decreasing in the last four years and is expected to decline further in coming years,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Belgium has been corrected.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in Belgium is hereby abrogated.

Article 3

This Decision is addressed to the Kingdom of Belgium.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Germany

(98/308/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 (1) lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 27 June 1996 that an excessive deficit existed in Germany (2); whereas, in accordance with Article 104c(7), the Council made recommendations to Germany with a view to bringing the excessive deficit situation to an end (3);

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Germany before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

The government deficit in Germany widened in 1995 and 1996, when it reached 3,4 % of GDP. The deficit was reduced in 1997 to 2,7 % of GDP, which is below the Treaty reference value, and a further reduction to 2,5 % of GDP is forecast for 1998. According to the 1997 convergence programme of Germany, the government deficit is projected to decline further to 1,5 % of GDP in 2000.

The government debt ratio continued to rise until 1997 when it reached 61,3 % of GDP; the debt ratio rose to just above the 60 % of GDP reference value in 1996 after having increased sharply in 1995. The debt ratio is expected to decline in 1998 and projected to continue declining in the following years in the German convergence programme.

The exceptional circumstances of German unification continue to put a heavy burden on the German budget. Furthermore, the German government debt includes unification-related liabilities amounting to around 10 % of GDP.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term. The debt ratio was slightly above the Treaty reference value in 1997 but is expected to start declining in 1998 and to return soon to below the Treaty reference value,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Germany has been corrected.

Article 2

The Council Decision of 27 June 1996 on the existence of an excessive deficit in Germany is hereby abrogated.

(1) OJ L 332, 31. 12. 1993, p. 7.
(2) OJ L 172, 11. 7. 1996, p. 26.
(3) Council recommendations of 16 September 1996 and 15 September 1997.

Article 3

This Decision is addressed to the Federal Republic of Germany.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Austria

(98/309/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 10 July 1995 that an excessive deficit existed in Austria; whereas, in accordance with Article 104c(7), the Council made recommendations to Austria with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Austria before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

The government deficit in Austria has been declining since 1995 and reached 2,5 % of GDP in 1997, which is below the Treaty reference value; a further reduction to 2,3 % of GDP is forecast for 1998. According to the 1997 update of the convergence programme for Austria, the deficit is projected to decline to 1,9 % of GDP in 2000.

The government debt ratio peaked in 1996 at 69,5 % of GDP and then declined to 66,1 % in 1997. A further decline is expected for 1998 and projected to continue in the following years in the Austrian updated convergence programme.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term; the debt ratio is currently diminishing and is expected to continue declining in coming years,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Austria has been corrected.

Article 2

The Council Decision of 10 July 1995 on the existence of an excessive deficit in Austria is hereby abrogated.

Article 3

This Decision is addressed to the Republic of Austria.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

(1) OJ L 332, 31. 12. 1993, p. 7.

(2) Council recommendations of 24 July 1995, 16 September 1996 and 15 September 1997.

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for France

(98/310/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in France; whereas, in accordance with Article 104c(7), the Council made recommendations to France with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by France before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

Since 1994, the government deficit in France has declined significantly and in 1997 it reached 3,0 % of GDP, which is equal to the Treaty reference value; a further small decline in the deficit to 2,9 % of GDP is forecast for 1998 and the government plans to reduce the deficit further to 2,3 % of GDP in 1999.

The government debt ratio has been rising and reached 58,0 % of GDP in 1997 but it has never exceeded the 60 % of GDP Treaty reference value.

The deficit was equal to the reference value in 1997 and is expected to fall below it in 1998; the government debt ratio remains below the Treaty reference value,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in France has been corrected.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in France is hereby abrogated.

Article 3

This Decision is addressed to the French Republic.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

(1) OJ L 332, 31. 12. 1993, p. 7.

(2) Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Italy

(98/311/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 (1) lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in Italy; whereas, in accordance with Article 104c(7), the Council made recommendations to Italy with a view to bringing the excessive deficit situation to an end (2);

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Italy before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

Since 1993, the government deficit has been sharply reduced to 2,7 % of GDP in 1997, which is below the Treaty reference value; a further reduction to 2,5 % of GDP is forecast for 1998. The new medium-term financial programme 1998-2001 recently presented to Parliament by the Italian Government plans a further reduction of the general government deficit to 1,5 % of GDP in 2000 and 1 % of GDP in 2001.

The government debt ratio peaked in 1994 at 124,9 % of GDP and since then has declined each year to reach 121,6 % in 1997. The new medium-term financial programme plans a reduction of the debt ratio for 1998 to 118,2 % of GDP and a further decline in the following years. In 2001, the debt ratio is planned to reach 107 % of GDP. Such reduction will be helped by annual privatisation revenues amounting to 0,5 to 0,75 % of GDP, up to 2001. The Italian Government also announced its commitment to reduce the debt ratio below 100 % by 2003.

The reduction of the deficit and in particular the steady rise in the primary surplus, which reached over 6 % of GDP in 1997, have contributed to putting the debt ratio on a downward path. The Italian Government has recently reconfirmed its commitment to keeping the primary surplus at a level that contributes strongly to the decline of the debt ratio. This primary surplus is essential to maintaining the debt ratio on its sustainable downward path.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term; the debt ratio has been decreasing in the last three years and is expected to decline at a more rapid pace in coming years,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Italy has been corrected.

(1) OJ L 332, 31. 12. 1993, p. 7.
(2) Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in Italy is hereby abrogated.

Article 3

This Decision is addressed to the Italian Republic.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Spain

(98/312/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in Spain; whereas, in accordance with Article 104c(7), the Council made recommendations to Spain with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Spain before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

The government deficit in Spain has been declining significantly since 1995 and in 1997 reached 2,6 % of GDP, which is below the Treaty reference value. A further reduction to 2,2 % of GDP is forecast for 1998. According to the 1997 convergence programme for Spain, the government deficit is projected to decline further to 1,6 % of GDP in 2000.

The government debt ratio peaked at 70,1 % of GDP in 1996 and then declined to 68,8 % in 1997. A further decline is expected for 1998 and projected to continue in the following years in the Spanish convergence programme.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term; the debt ratio is currently diminishing and is expected to continue declining in coming years,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Spain has been corrected.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in Spain is hereby abrogated.

Article 3

This Decision is addressed to the Kingdom of Spain.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

[1] OJ L 332, 31. 12. 1993, p. 7.

[2] Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Portugal

(98/313/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in Portugal; whereas, in accordance with Article 104c(7), the Council made recommendations to Portugal with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Portugal before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

Since 1993, the government deficit has been declining significantly and, in 1997, it reached 2,5 % of GDP, which is below the Treaty reference value; a further reduction to 2,2 % of GDP is forecast for 1998. According to the 1997 convergence programme for Portugal, the deficit is projected to decline to 1,5 % of GDP in 2000.

The government debt ratio peaked at 65,9 % of GDP in 1995 and has since then declined each year to 62,0 % in 1997. The government debt ratio is forecast to equal 60,0 % of GDP in 1998 and is expected then to fall below the reference value.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term; the debt ratio has been declining in the last two years and is expected soon to fall below the reference value,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Portugal has been corrected.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in Portugal is hereby abrogated.

Article 3

This Decision is addressed to the Portuguese Republic.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

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(1) OJ L 332, 31. 12. 1993, p. 7.

(2) Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Sweden

(98/314/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 10 July 1995 that an excessive deficit existed in Sweden; whereas, in accordance with Article 104c(7), the Council made recommendations to Sweden with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Sweden before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

The government deficit in Sweden has been reduced very sharply since 1993 and reached 0,8 % of GDP in 1997, which is well below the Treaty reference value. A surplus of 0,5 % of GDP is forecast for 1998. According to the April 1998 review of the convergence programme for Sweden, the government accounts are projected to show a surplus of 3,5 % of GDP in 2001.

The government debt ratio peaked in 1994 at 79,0 % of GDP and since then has declined every year to reach 76,6 % in 1997; the debt ratio is expected to decline further in 1998 and projected to continue declining in the following years in the April 1998 review of the Swedish convergence programme and reach 62,9 % of GDP in 2001.

The deficit was well below the Treaty reference value in 1997 and the budget is expected to be in surplus in 1998 and to show an increasing surplus in the medium term; the debt ratio has been diminishing in the last three years and is expected to continue declining in coming years,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Sweden has been corrected.

Article 2

The Council Decision of 10 July 1995 on the existence of an excessive deficit in Sweden is hereby abrogated.

Article 3

This Decision is addressed to the Kingdom of Sweden.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

(1) OJ L 332, 31. 12. 1993, p. 7.

(2) Council recommendations of 24 July 1995, 16 September 1996 and 15 September 1997.

COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for the United Kingdom

(98/315/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in the United Kingdom; whereas, in accordance with Article 104c(7), the Council made recommendations to the United Kingdom with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by the United Kingdom before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

The government deficit in the United Kingdom has been declining significantly since 1993 and reached 1,9 % of GDP in 1997, which is well below the Treaty reference value. A further decline in the deficit to 0,6 % of GDP is forecast for 1998. According to the 1997 convergence programme for the United Kingdom, the government accounts are projected to show a surplus by the end of the decade.

The government debt ratio has never been above the 60 % of GDP Treaty reference value; after having increased for several years, it fell to 53,4 % of GDP in 1997.

The deficit was well below the Treaty reference value in 1997 and is expected to remain so in 1998 and to turn into a surplus in the medium term; the government debt ratio remains below the Treaty reference value,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in the United Kingdom has been corrected.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in the United Kingdom is hereby abrogated.

Article 3

This Decision is addressed to the United Kingdom of Great Britain and Northern Ireland.

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

(1) OJ L 332, 31. 12. 1993, p. 7.

(2) Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.

COUNCIL RECOMMENDATION

of 1 May 1998

in accordance with Article 109j(2) of the Treaty

(98/316/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 109j(2) thereof,

Having regard to the recommendation from the Commission,

Having regard to the report from the Commission,

Having regard to the report from the European Monetary Institute,

Having regard to the opinion of the European Parliament [1],

(1) Whereas the procedure and timetable for taking decisions on the passage to the third stage of economic and monetary union (EMU) are laid down in Article 109j of the Treaty; whereas the Council, meeting in Dublin on 13 December 1996 in the composition of Heads of State or Government, decided that there was not a majority of Member States fulfilling the necessary conditions for the adoption of the single currency, that the Community would not enter the third stage of EMU in 1997 and that the procedure laid down in Article 109j(4) should be applied as early as possible in 1998; whereas, according to Article 109j(4), as by the end of 1997 the date for the beginning of the third stage of EMU has not been set, the third stage shall start on 1 January 1999;

(2) Whereas, in accordance with Article 109j(4), the procedure provided for in paragraphs 1 and 2 of that Article, with the exception of the second indent of paragraph 2, has to be repeated;

(3) Whereas Article 109j(1) lays down that the reports prepared by the Commission and the European Monetary Institute (EMI) shall include an examination of the compatibility between each Member State's national legislation, including the statutes of its national central bank, and Articles 107 and 108 of the Treaty and the Statute of the European System of Central Banks (ESCB) and shall also examine the achievement of a high degree of sustainable convergence by reference to the fulfilment by each Member State of the following criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the achievement of a high degree of price stability; this will be apparent from a rate of inflation which is close to that of, at most, the three best performing Member States in terms of price stability,

— the sustainability of the government financial position; this will be apparent from having achieved a government budgetary position without a deficit that is excessive as determined in accordance with Article 104c(6),

— the observance of the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System, for at least two years, without devaluing against the currency of any other Member State,

— the durability of convergence achieved by the Member State and of its participation in the exchange-rate mechanism of the European Monetary System being reflected in the long-term interest-rate levels;

Whereas these four criteria and the relevant periods over which they are to be respected are developed further in Protocol 6 of the Treaty; whereas the reports of the Commission and the EMI shall also take account of the development of the ecu, the results of the integration of markets, the situation and development of the balances of payments on current account and an examination of the development of unit labour costs and other price indices;

(4) Whereas, according to the first indent of Article 109j(2), on the basis of these reports, the Council shall assess, for each Member State, whether it fulfils the necessary conditions for the adoption of a single currency and shall recommend its findings to the Council meeting in the composition of the Heads of State or Government which, after having consulted the European Parliament, in accordance with Article 109j(4), shall confirm which Member States fulfil the necessary conditions for the adoption of the single currency;

(5) Whereas Member States' national legislation including the statutes of national central banks shall as necessary be adapted with a view to

[1] Opinion delivered on 30 April 1998 (not yet published in the Official Journal).

ensuring compatibility with Articles 107 and 108 of the Treaty and the Statute of the ESCB; whereas such adaptations need to ensure compatibility with the Treaty at the latest at the date of the establishment of the ESCB; whereas the reports of the Commission and the EMI provide a detailed assessment of the compatibility of the legislation of each Member State with Articles 107 and 108 of the Treaty and the Statute of the ESCB; whereas the process of adaptation of national legislation had not been completed in Spain, France, Luxembourg and Austria at the time of presentation of the reports by the Commission and the EMI; whereas since then in Spain and in Austria the necessary legislation has been enacted; whereas Luxembourg and France have taken all the necessary steps to make their national legislation, including the statute of the national central bank, compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB;

(6) Whereas, according to Article 1 of Protocol 6 of the Treaty, the criterion on price stability referred to in the first indent of Article 109j(1) of the Treaty shall mean that a Member State has a price performance that is sustainable and an average rate of inflation, observed over a period of one year before the examination, that does not exceed by more than 1,5 percentage points that of, at most, the three best performing Member States in terms of price stability; whereas, for the purpose of the criterion on price stability, inflation will be measured by harmonised indices of consumer price defined in Regulation (EC) No 2494/95 [1]; whereas, in order to assess the price stability criterion, a Member State's inflation has been measured by the percentage change in the arithmetic average of 12 monthly indices relative to the arithmetic average of 12 monthly indices of the previous period; whereas in the one-year period ending in January 1998, the three best performing Member States in terms of price stability were France, Ireland and Austria, with inflation rates of, respectively 1,2 %, 1,2 % and 1,1 %; whereas a reference value calculated as the simple arithmetic average of the inflation rates of the three best performing Member States in terms of price stability plus 1,5 percentage points was considered in the reports of the Commission and the EMI; whereas the reference value in the one-year period ending in January 1998 was 2,7 %;

(7) Whereas, according to Article 2 of Protocol 6 of the Treaty, the criterion on the government budgetary position referred to in the second indent of Article 109j(1) of the Treaty shall mean that at the time of the current assessment by the Council the Member State is not the subject of a Council decision under Article 104c(6) of the Treaty that an excessive deficit exists;

(8) Whereas, in accordance with Article 5 of Protocol 6 of the Treaty, the data used in the current assessment of the fulfilment of the convergence criteria will be provided by the Commission; whereas, for the preparation of this recommendation, the Commission provided data; whereas budgetary data were provided by the Commission after reporting by the Member States by 1 March 1998 in accordance with Regulation (EC) No 3605/93 [2];

(9) Whereas during the second stage of EMU no Council decision on the existence of an excessive deficit existed for Ireland and Luxembourg; whereas, according to its Decision of 27 June 1996 under Article 104c(12), the Council abrogated its previous Decision on the existence of an excessive deficit in Denmark; whereas, according to its Decisions of 30 June 1997 under Article 104c(12), the Council abrogated its previous Decisions on the existence of an excessive deficit in the Netherlands and Finland; whereas, according to its Decisions of 1 May 1998 under Article 104c(12), the Council abrogated its previous Decisions on the existence of an excessive deficit in Belgium, Germany, Spain, France, Italy, Austria, Portugal, Sweden and the United Kingdom;

(10) Whereas, according to Article 3 of Protocol 6 of the Treaty, the criterion on participation in the exchange-rate mechanism of the European Monetary System referred to in the third indent of Article 109j(1) of the Treaty shall mean that a Member State has respected the normal fluctuation margins provided for by the exchange-rate mechanism (ERM) of the European Monetary System without severe tensions for at least the last two years before the examination. In particular, the Member State shall not have devalued its currency's bilateral central rate against any other Member State's currency on its own initiative for the same period; whereas in assessing the fulfilment of this criterion in their reports, the Commission and the EMI have examined the two-year period ending in February 1998 and have taken into account the decision taken in August 1993 by the ministers and central bank governors of the Member States to widen temporarily the fluctuation margins of the ERM from ± 2,25 % to ± 15 % around the bilateral central rates;

(11) Whereas, according to Article 4 of Protocol 6 of the Treaty, the criterion on the convergence of interest rates referred to in the fourth indent of Article 109j(1) of the Treaty shall mean that, observed over

[1] OJ L 257, 27. 10. 1995, p. 1.

[2] OJ L 332, 31. 12. 1993, p. 7.

a period of one year before the examination, a Member State has had an average nominal long-term interest rate that does not exceed by more than two percentage points that of, at most, the three best performing Member States in terms of price stability; whereas, for the purpose of the criteria on the convergence of interest rates, comparable interest rates on 10-year benchmark government bonds were used; whereas, in order to assess the fulfilment of the interest rate criterion, a reference value calculated as the simple arithmetic average of the nominal long-term interest rates of the three best performing Member States in terms of price stability plus two percentage points was considered in the reports of the Commission and the EMI; whereas the reference value in the one-year period ending in January 1998 was 7,8%;

(12) Whereas, in accordance with paragraph 1 of Protocol 11 of the Treaty, the United Kingdom has notified the Council that it does not intend to move to the third stage of EMU on 1 January 1999; whereas by virtue of this notification, paragraphs 4 to 9 of Protocol 11 lay down the provisions applicable to the United Kingdom if and so long as the United Kingdom has not moved to the third stage;

(13) Whereas, in accordance with paragraph 1 of Protocol 12 of the Treaty and the Decision taken by the Heads of State or Government in Edinburgh in December 1992, Denmark has notified the Council that it will not participate in the third stage of EMU; whereas by virtue of this notification, all Articles and provisions of the Treaty and the Statute of the ESCB referring to a derogation shall be applicable to Denmark;

(14) Whereas by virtue of the above notifications it is not necessary for the Council to make an assessment under Article 109j(2) of the Treaty concerning the United Kingdom and Denmark;

(15) Whereas, on the basis of the present recommendations, the Council meeting in the composition of Heads of State or Government, shall confirm which Member States fulfil the necessary conditions for the adoption of the single currency,

HEREBY RECOMMENDS THE FOLLOWING:

SECTION 1

ASSESSMENTS

Article 1

Belgium

In Belgium, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the European System of Central Banks (ESCB).

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Belgium in the year ending in January 1998 stood at 1,4 %, which is below the reference value,

— Belgium is not the subject of a Council decision on the existence of an excessive government deficit,

— Belgium has been a member of the exchange-rate mechanism (ERM) for the last two years; in that period, the Belgian franc (BEF) has not been subject to severe tensions and Belgium has not devalued, on its own initiative, the BEF bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Belgium was, on average, 5,7 %, which is below the reference value.

Belgium has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Belgium fulfils the necessary conditions for the adoption of the single currency.

Article 2

Germany

In Germany, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Germany in the year ending in January 1998 stood at 1,4 %, which is below the reference value,

— Germany is not the subject of a Council decision on the existence of an excessive government deficit,

— Germany has been a member of the ERM for the last two years; in that period, the German mark (DEM) has not been subject to severe tensions and Germany has not devalued, on its own initiative, the DEM bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Germany was, on average, 5,6 %, which is below the reference value.

Germany has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Germany fulfils the necessary conditions for the adoption of the single currency.

Article 3

Greece

In Greece, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Greece in the year ending in January 1998 stood at 5,2 %, which is above the reference value,

— the Council decided on 26 September 1994 that an excessive government deficit exists in Greece and this Decision has not been abrogated,

— the currency of Greece did not participate in the ERM in the two years ending in February 1998; during this period, the Greek drachma (GRD) has been relatively stable against the ERM currencies but it has experienced, at times, tensions which have been counteracted by temporary increases in domestic interest rates and by foreign exchange intervention. The GRD joined the ERM in March 1998,

— in the year ending in January 1998, the long-term interest rate in Greece was, on average, 9,8 %, which is above the reference value.

Greece does not fulfil any of the convergence criteria mentioned in the four indents of Article 109j(1).

Consequently, Greece does not fulfil the necessary conditions for the adoption of the single currency.

Article 4

Spain

In Spain, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Spain in the year ending in January 1998 stood at 1,8 %, which is below the reference value,

— Spain is not the subject of a Council decision on the existence of an excessive government deficit,

— Spain has been a member of the ERM for the last two years; in that period, the Spanish peseta (ESP) has not been subject to severe tensions and Spain has not devalued, on its own initiative, the ESP bilateral central rate against any other Member State's currency,

— in the year ending in January 1998 the long-term interest rate in Spain was, on average, 6,3 %, which is below the reference value.

Spain has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Spain fulfils the necessary conditions for the adoption of the single currency.

Article 5

France

France has taken all the necessary steps to make its national legislation, including the statute of the national central bank, compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in France in the year ending in January 1998 stood at 1,2 %, which is below the reference value,

— France is not the subject of a Council decision on the existence of an excessive government deficit,

— France has been a member of the ERM for the last two years; in that period, the French franc (FRF) has not been subject to severe tensions and France has not devalued, on its own initiative, the FRF bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in France was, on average, 5,5 %, which is below the reference value.

France has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, France fulfils the necessary conditions for the adoption of the single currency.

Article 6

Ireland

In Ireland, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Ireland in the year ending in January 1998 stood at 1,2 %, which is below the reference value,

— during the second stage of EMU, Ireland was not the subject of a Council decision on the existence of an excessive government deficit,

— Ireland has been a member of the ERM for the last two years; in that period, the Irish pound (IEP) has not been subject to severe tensions and the IEP bilateral central rate has not been devalued against any other Member State's currency; on 16 March 1998, at a request of the Irish authorities, the bilateral central rates of the IEP against all other ERM currencies were revalued by 3 %,

— in the year ending in January 1998, the long-term interest rate in Ireland was, on average, 6,2 %, which is below the reference value.

Ireland has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Ireland fulfils the necessary conditions for the adoption of the single currency.

Article 7

Italy

In Italy, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Italy in the year ending in January 1998 stood at 1,8 %, which is below the reference value,

— Italy is not the subject of a Council decision on the existence of an excessive government deficit,

— Italy rejoined the ERM in November 1996; in the period from March 1996 to November 1996, the Italian lira (ITL) appreciated vis-à-vis the ERM currencies; since it re-entered the ERM, the ITL has not been subject to severe tensions and Italy has not devalued, on its own initiative, the ITL bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Italy was, on average, 6,7 %, which is below the reference value.

Italy fulfils the convergence criteria mentioned in the first, second and fourth indents of Article 109j(1); as regards the criterion mentioned in the third indent of Article 109j(1), the ITL, although having rejoined the ERM only in November 1996, has displayed sufficient stability in the last two years. For these reasons, Italy has achieved a high degree of sustainable convergence.

Consequently, Italy fulfils the necessary conditions for the adoption of the single currency.

Article 8

Luxembourg

Luxembourg has taken all the necessary steps to make its national legislation, including the statute of the national central bank, compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Luxembourg in the year ending in January 1998 stood at 1,4 %, which is below the reference value,

— during the second stage of EMU, Luxembourg was not the subject of a Council decision on the existence of an excessive government deficit,

— Luxembourg has been a member of the ERM for the last two years; in that period, the Luxembourg franc (LUF) has not been subject to severe tensions and Luxembourg has not devalued, on its own initiative, the LUF bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Luxembourg was, on average, 5,6 %, which is below the reference value.

Luxembourg has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Luxembourg fulfils the necessary conditions for the adoption of the single currency.

Article 9

The Netherlands

In the Netherlands, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in the Netherlands in the year ending in January 1998 stood at 1,8 %, which is below the reference value,

— the Netherlands is not the subject of a Council decision on the existence of an excessive government deficit,

— the Netherlands has been a member of the ERM for the last two years; in that period, the Dutch guilder (NLG) has not been subject to severe tensions and the Netherlands has not devalued, on its own initiative, the NLG bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in the Netherlands was, on average, 5,5 %, which is below the reference value.

The Netherlands has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, the Netherlands fulfils the necessary conditions for the adoption of the single currency.

Article 10

Austria

In Austria, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Austria in the year ending in January 1998 stood at 1,1 %, which is below the reference value,

— Austria is not the subject of a Council decision on the existence of an excessive government deficit,

— Austria has been a member of the ERM for the last two years; in that period, the Austrian schilling (ATS) has not been subject to severe tensions and Austria has not devalued, on its own initiative, the ATS bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Austria was, on average, 5,6 %, which is below the reference value.

Austria has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Austria fulfils the necessary conditions for the adoption of the single currency.

Article 11

Portugal

In Portugal, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Portugal in the year ending in January 1998 stood at 1,8 %, which is below the reference value,

— Portugal is not the subject of a Council decision on the existence of an excessive government deficit,

— Portugal has been a member of the ERM for the last two years; in that period, the Portuguese escudo (PTE) has not been subject to severe tensions and Portugal has not devalued, on its own initiative, the PTE bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Portugal was, on average, 6,2 %, which is below the reference value.

Portugal has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Portugal fulfils the necessary conditions for the adoption of the single currency.

Article 12

Finland

In Finland, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Finland in the year ending in January 1998 stood at 1,3 %, which is below the reference value,

— Finland is not the subject of a Council decision on the existence of an excessive government deficit,
— Finland has been a member of the ERM since October 1996; in the period from March 1996 to October 1996, the Finnish markka (FIM) appreciated vis-à-vis the ERM currencies; since it entered the ERM, the FIM has not been subject to severe tensions and Finland has not devalued, on its own initiative, the FIM bilateral central rate against any other Member State's currency,
— in the year ending in January 1998, the long-term interest rate in Finland was, on average, 5,9 %, which is below the reference value.

Finland fulfils the convergence criteria mentioned in the first, second and fourth indents of Article 109j(1); as regards the convergence criterion mentioned in the third indent of Article 109j(1), the FIM, although having entered the ERM only in October 1996, has displayed sufficient stability in the last two years. For these reasons, Finland has achieved a high degree of sustainable convergence.

Consequently, Finland fulfils the necessary conditions for the adoption of the single currency.

Article 13

Sweden

In Sweden, national legislation, including the statute of the national central bank, is not compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:
— the average inflation rate in Sweden in the year ending in January 1998 stood at 1,9 %, which is below the reference value,
— Sweden is not the subject of a Council decision on the existence of an excessive government deficit,
— the currency of Sweden has never participated in the ERM; in the two years under review, the Swedish crown (SEK) fluctuated against the ERM currencies reflecting among others the absence of an exchange rate target,
— in the year ending in January 1998, the long-term interest rate in Sweden was, on average, 6,5 %, which is below the reference value.

Sweden fulfils the convergence criteria mentioned in the first, second and fourth indents of Article 109j(1) but does not fulfil the convergence criterion mentioned in the third indent thereof.

Consequently, Sweden does not fulfil the necessary conditions for the adoption of the single currency.

SECTION 2

FINDINGS

Article 14

In the light of the above, the findings of the Council are that Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland fulfil the necessary conditions for the adoption of the single currency. The Council recommends that the Council, meeting in the composition of Heads of State or Government, confirm that the said Member States fulfil the necessary conditions for the adoption of the single currency on 1 January 1999.

SECTION 3

PUBLICATION

Article 15

This recommendation shall be published in the *Official Journal of the European Communities.*

Done at Brussels, 1 May 1998.

For the Council

The President

G. BROWN

DECLARATION BY THE COUNCIL (ECOFIN) AND THE MINISTERS MEETING IN THAT COUNCIL

issued on 1 May 1998

1. On 1 January 1999, the euro will be a reality, marking the end of a process culminating in the fulfilment of the economic conditions necessary for its successful launch. The Council (Ecofin) and the ministers meeting in that Council welcome the significant progress that has been made in all Member States in achieving price stability and sounder public finances. The convergence process has contributed to a high degree of exchange-rate stability and historically low interest rates, and thus to the improved economic conditions in our economies.

2. The move to the single currency enhances further the conditions for strong, sustained and non-inflationary growth conducive to more jobs and rising living standards. It eliminates the exchange-rate risk among participating Member States, reduces transaction costs, creates a broader and more efficient financial market, and increases price transparency and competition. It thus provides the decisive step for a truly single market.

3. We, the ministers, are strongly committed to the actions necessary to realise the full benefits of economic and monetary union and the Single Market in the interest of all our citizens. These actions include closer coordination of economic policies. We are confident that the full implementation of the conclusions of the Dublin, Amsterdam and Luxembourg European Councils provides a sound basis for a permanently high degree of financial stability and the smooth functioning of EMU.

4. For the coming years, strong, sustained and non-inflationary growth will continue to be based in all Member States on economic convergence. Moreover, sound and sustainable public finances are prior conditions for growth and higher employment. The Stability and Growth Pact provides the means for securing this objective and for increasing the scope in national budgets to deal with future challenges.

5. In accordance with that Pact, we will start to implement the Regulation on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies [1] on 1 July 1998 in the following way:

   — we are committed to ensure that the national budget objectives set for 1998 are fully met, if necessary by taking timely corrective action,

   — the Council agrees to have an early consideration of Member States' budgetary intentions for 1999 in light of the framework and objectives of the Stability and Growth Pact.

   On these first two points, the ministers of the States participating in the euro area have decided to meet informally, in the course of the coming months, to start their monitoring work in accordance with the Luxembourg European Council resolution,

   — if economic conditions develop better than expected, Member States will use the opportunity to reinforce budgetary consolidation so as to reach the medium-term objective of government financial positions close to balance or in surplus, as embodied in the commitments of the Stability and Growth Pact,

   — the higher the debt-to-GDP ratios of participating Member States, the greater must be their efforts to reduce them rapidly. To that end, in addition to maintaining appropriate levels of primary surpluses in compliance with the commitments and the objectives of the Stability and Growth Pact, other measures to reduce gross debt should be put in place. Furthermore, debt management strategies should reduce budgets' vulnerability,

   — each of the ministers undertakes to submit, at the latest by the end of 1998, national stability or convergence programmes which will reflect these important elements.

6. The Council reiterates that the responsibility for budgetary consolidation lies and remains with the Member States and that, in accordance with the provisions of Article 104b(1) TEC, the Community in particular shall not be liable for or assume the commitments of Member States. Without prejudice to the objectives and provisions of the Treaty, it is agreed that economic and monetary union as such cannot be invoked to justify specific financial transfers.

[1] Council Regulation (EC) No 1466/97 of 7 July 1997 (OJ L 209, 2. 8. 1997, p. 1).

7. Our work on budgetary consolidation will be complemented by increased efforts for improving the efficiency of our economies so as to enhance the favourable environment for growth, high employment and social cohesion. In this context, we look forward to our meeting shortly with the social partners on economic and monetary union. Together with the social partners and all other concerned parties, we will take all necessary initiatives to create the conditions for combating unemployment, particularly for young people, the long-term unemployed and the low skilled. In following up the conclusions of the Luxembourg meeting of the European Council, we commit ourselves to play our part in implementing rapidly the national Employment Action Plans drawn up in the light of the employment policy guidelines. The Council (Ecofin) will consider these plans in contributing to the preparation of the Cardiff European Council and subsequent European Councils.

8. We will attach particular importance to increasing the degree to which growth can be translated into additional employment. We will thus put emphasis, *inter alia*, on the following structural reforms:

   — making product, labour and capital markets more efficient,

   — improving the adaptability of labour markets in order to better reflect wage and productivity developments,

   — ensuring that national education and training systems are effective and relevant to employment,

   — seeking to encourage entrepreneurship, notably by attacking the administrative obstacles which it faces,

   — enabling easier access to capital markets and to venture capital funds, particularly for small and medium-sized enterprises,

   — increasing tax efficiency and avoiding harmful tax competition,

   — addressing all aspects of social security systems in view of ageing populations.

9. The Council intends to establish a light procedure, fully respecting the subsidiarity principle, for monitoring progress on economic reform. From next year, the preparation of the broad economic policy guidelines will draw on short assessments of progress and plans by Member States and the Commission on product and capital markets, as well as on the employment action plans.

COUNCIL DECISION

of 3 May 1998

in accordance with Article 109j(4) of the Treaty

(98/317/EC)

THE COUNCIL OF THE EUROPEAN UNION, meeting in the composition of Heads of State or Government,

Having regard to the Treaty establishing the European Community, and in particular Article 109j(4) thereof,

Having regard to the report from the Commission,

Having regard to the report from the European Monetary Institute,

Having regard to the recommendations from the Council of 1 May 1998,

Having regard to the opinion of the European Parliament [1],

(1) Whereas, in accordance with Article 109j(4) of the Treaty, the third stage of economic and monetary union (EMU) shall start on 1 January 1999;

(2) Whereas, in accordance with Article 109j(2) of the Treaty, on the basis of reports presented by the Commission and the European Monetary Institute on the progress made in the fulfilment by the Member States of their obligations regarding the achievement of EMU, the Council has assessed on 1 May 1998, for each Member State, whether it fulfils the necessary conditions for the adoption of the single currency and has recommended to the Council, meeting in the composition of the Heads of State or Government, the following findings:

Belgium

In Belgium, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the European System of Central Banks (ESCB).

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Belgium in the year ending in January 1998 stood at 1,4 %, which is below the reference value,

— Belgium is not the subject of a Council decision on the existence of an excessive government deficit,

— Belgium has been a member of the exchange-rate mechanism (ERM) for the last two years; in that period, the Belgian franc (BEF) has not been subject to severe tensions and Belgium has not devalued, on its own initiative, the BEF bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Belgium was, on average, 5,7 %, which is below the reference value.

Belgium has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Belgium fulfils the necessary conditions for the adoption of the single currency.

Germany

In Germany, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Germany in the year ending in January 1998 stood at 1,4 %, which is below the reference value,

— Germany is not the subject of a Council decision on the existence of an excessive government deficit,

— Germany has been a member of the ERM for the last two years; in that period, the German mark (DEM) has not been subject to severe tensions and Germany has not devalued, on its own initiative, the DEM bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Germany was, on average, 5,6 %, which is below the reference value.

Germany has achieved a high degree of sustainable convergence by reference to all four criteria.

(1) Opinion delivered on 2 May 1998 (not yet published in the Official Journal).

Consequently, Germany fulfils the necessary conditions for the adoption of the single currency.

Greece

In Greece, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Greece in the year ending in January 1998 stood at 5,2 %, which is above the reference value,

— the Council decided on 26 September 1994 that an excessive government deficit exists in Greece and this Decision has not been abrogated,

— the currency of Greece did not participate in the ERM in the two years ending in February 1998; during this period, the Greek drachma (GRD) has been relatively stable against the ERM currencies but it has experienced, at times, tensions which have been counteracted by temporary increases in domestic interest rates and by foreign exchange intervention. The GRD joined the ERM in March 1998,

— in the year ending in January 1998, the long-term interest rate in Greece was, on average, 9,8 %, which is above the reference value.

Greece does not fulfil any of the convergence criteria mentioned in the four indents of Article 109j(1).

Consequently, Greece does not fulfil the necessary conditions for the adoption of the single currency.

Spain

In Spain, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Spain in the year ending in January 1998 stood at 1,8 %, which is below the reference value,

— Spain is not the subject of a Council decision on the existence of an excessive government deficit,

— Spain has been a member of the ERM for the last two years; in that period, the Spanish peseta (ESP) has not been subject to severe tensions and Spain has not devalued, on its own initiative, the ESP bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Spain was, on average, 6,3 %, which is below the reference value.

Spain has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Spain fulfils the necessary conditions for the adoption of the single currency.

France

France has taken all the necessary steps to make its national legislation, including the statute of the national central bank, compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in France in the year ending in January 1998 stood at 1,2 %, which is below the reference value,

— France is not the subject of a Council decision on the existence of an excessive government deficit,

— France has been a member of the ERM for the last two years; in that period, the French franc (FRF) has not been subject to severe tensions and France has not devalued, on its own initiative, the FRF bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in France was, on average, 5,5 %, which is below the reference value.

France has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, France fulfils the necessary conditions for the adoption of the single currency.

Ireland

In Ireland, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Ireland in the year ending in January 1998 stood at 1,2 %, which is below the reference value,

— during the second stage of EMU, Ireland was not the subject of a Council decision on the existence of an excessive government deficit,

— Ireland has been a member of the ERM for the last two years; in that period, the Irish pound (IEP) has not been subject to severe tensions and the IEP bilateral central rate has not been devalued against any other Member State's currency; on 16 March 1998, at a request of the Irish authorities, the bilateral central rates of the IEP against all other ERM currencies were revalued by 3 %,

— in the year ending in January 1998, the long-term interest rate in Ireland was, on average, 6,2 %, which is below the reference value.

Ireland has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Ireland fulfils the necessary conditions for the adoption of the single currency.

Italy

In Italy, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Italy in the year ending in January 1998 stood at 1,8 %, which is below the reference value,

— Italy is not the subject of a Council decision on the existence of an excessive government deficit,

— Italy rejoined the ERM in November 1996; in the period from March 1996 to November 1996, the Italian lira (ITL) appreciated vis-à-vis the ERM currencies; since it re-entered the ERM, the ITL has not been subject to severe tensions and Italy has not devalued, on its own initiative, the ITL bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Italy was, on average, 6,7 %, which is below the reference value.

Italy fulfils the convergence criteria mentioned in the first, second and fourth indents of Article 109j(1); as regards the criterion mentioned in the third indent of Article 109j(1), the ITL, although having rejoined the ERM only in November 1996, has displayed sufficient stability in the last two years. For these reasons, Italy has achieved a high degree of sustainable convergence.

Consequently, Italy fulfils the necessary conditions for the adoption of the single currency.

Luxembourg

Luxembourg has taken all the necessary steps to make its national legislation, including the statute of the national central bank, compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Luxembourg in the year ending in January 1998 stood at 1,4 %, which is below the reference value,

— during the second stage of EMU, Luxembourg was not the subject of a Council decision on the existence of an excessive government deficit,

— Luxembourg has been a member of the ERM for the last two years; in that period, the Luxembourg franc (LUF) has not been subject to severe tensions and Luxembourg has not devalued, on its own initiative, the LUF bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Luxembourg was, on average, 5,6 %, which is below the reference value.

Luxembourg has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Luxembourg fulfils the necessary conditions for the adoption of the single currency.

The Netherlands

In the Netherlands, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

- the average inflation rate in the Netherlands in the year ending in January 1998 stood at 1,8 %, which is below the reference value,
- the Netherlands is not the subject of a Council decision on the existence of an excessive government deficit,
- the Netherlands has been a member of the ERM for the last two years; in that period, the Dutch guilder (NLG) has not been subject to severe tensions and the Netherlands has not devalued, on its own initiative, the NLG bilateral central rate against any other Member State's currency,
- in the year ending in January 1998, the long-term interest rate in the Netherlands was, on average, 5,5 %, which is below the reference value.

The Netherlands has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, the Netherlands fulfils the necessary conditions for the adoption of the single currency.

Austria

In Austria, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

- the average inflation rate in Austria in the year ending in January 1998 stood at 1,1 %, which is below the reference value,
- Austria is not the subject of a Council decision on the existence of an excessive government deficit,
- Austria has been a member of the ERM for the last two years; in that period, the Austrian schilling (ATS) has not been subject to severe tensions and Austria has not devalued, on its own initiative, the ATS bilateral central rate against any other Member State's currency,
- in the year ending in January 1998, the long-term interest rate in Austria was, on average, 5,6 %, which is below the reference value.

Austria has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Austria fulfils the necessary conditions for the adoption of the single currency.

Portugal

In Portugal, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

- the average inflation rate in Portugal in the year ending in January 1998 stood at 1,8 %, which is below the reference value,
- Portugal is not the subject of a Council decision on the existence of an excessive government deficit,
- Portugal has been a member of the ERM for the last two years; in that period, the Portuguese escudo (PTE) has not been subject to severe tensions and Portugal has not devalued, on its own initiative, the PTE bilateral central rate against any other Member State's currency,
- in the year ending in January 1998, the long-term interest rate in Portugal was, on average, 6,2 %, which is below the reference value.

Portugal has achieved a high degree of sustainable convergence by reference to all four criteria.

Consequently, Portugal fulfils the necessary conditions for the adoption of the single currency.

Finland

In Finland, national legislation, including the statute of the national central bank, is compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Finland in the year ending in January 1998 stood at 1,3 %, which is below the reference value,

— Finland is not the subject of a Council decision on the existence of an excessive government deficit,

— Finland has been a member of the ERM since October 1996; in the period from March 1996 to October 1996, the Finnish markka (FIM) appreciated vis-à-vis the ERM currencies; since it entered the ERM, the FIM has not been subject to severe tensions and Finland has not devalued, on its own initiative, the FIM bilateral central rate against any other Member State's currency,

— in the year ending in January 1998, the long-term interest rate in Finland was, on average, 5,9 %, which is below the reference value.

Finland fulfils the convergence criteria mentioned in the first, second and fourth indents of Article 109j(1); as regards the convergence criterion mentioned in the third indent of Article 109j(1), the FIM, although having entered the ERM only in October 1996, has displayed sufficient stability in the last two years. For these reasons, Finland has achieved a high degree of sustainable convergence.

Consequently, Finland fulfils the necessary conditions for the adoption of the single currency.

Sweden

In Sweden, national legislation, including the statute of the national central bank, is not compatible with Articles 107 and 108 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment of the convergence criteria mentioned in the four indents of Article 109j(1) of the Treaty:

— the average inflation rate in Sweden in the year ending in January 1998 stood at 1,9 %, which is below the reference value,

— Sweden is not the subject of a Council decision on the existence of an excessive government deficit,

— the currency of Sweden has never participated in the ERM; in the two years under review, the Swedish crown (SEK) fluctuated against the ERM currencies reflecting among others the absence of an exchange rate target,

— in the year ending in January 1998, the long-term interest rate in Sweden was, on average, 6,5 %, which is below the reference value.

Sweden fulfils the convergence criteria mentioned in the first, second and fourth indents of Article 109j(1) but does not fulfil the convergence criterion mentioned in the third indent thereof.

Consequently, Sweden does not fulfil the necessary conditions for the adoption of the single currency;

(3) Whereas the Council, meeting in the composition of Heads of State or Government, after having made an overall evaluation for each Member State, taking into account the above reports of the Commission and the European Monetary Institute, the opinion of the European Parliament and the Council's recommendations of 1 May 1998, considers that Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland fulfil the necessary conditions for the adoption of the single currency;

(4) Whereas Greece and Sweden do not at this stage fulfil the necessary conditions for the adoption of the single currency; whereas Greece and Sweden will consequently have a derogation as defined in Article 109k of the Treaty;

(5) Whereas, in accordance with paragraph 1 of Protocol 11 of the Treaty, the United Kingdom has notified the Council that it does not intend to move to the third stage of EMU on 1 January 1999; whereas, by virtue of this notification, paragraphs 4 to 9 of Protocol 11 lay down the provisions applicable to the United Kingdom if and so long as the United Kingdom has not moved to the third stage;

(6) Whereas, in accordance with paragraph 1 of Protocol 12 of the Treaty and the Decision taken by the Heads of State or Government in

Edinburgh in December 1992, Denmark has notified the Council that it will not participate in the third stage of EMU; whereas, by virtue of this notification, all Articles and provisions of the Treaty and the Statute of the ESCB referring to a derogation shall be applicable to Denmark;

(7) Whereas, by virtue of the above notifications it was not necessary for the Council to make an assessment under Article 109j(2) concerning the United Kingdom and Denmark,

HAS ADOPTED THIS DECISION:

Article 1

Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland fulfil the necessary conditions for the adoption of the single currency on 1 January 1999.

Article 2

This Decision is addressed to the Member States.

Article 3

This Decision shall be published in the *Official Journal of the European Communities.*

Done at Brussels, 3 May 1998.

For the Council

The President

T. BLAIR

COUNCIL RECOMMENDATION

of 3 May 1998

on the appointments of the President, the Vice-President and the other members of the Executive Board of the European Central Bank

(98/318/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 109a(2) and Article 109l(1), second indent, and to Article 50 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank,

HEREBY RECOMMENDS:

1. Wim DUISENBERG as President of the European Central Bank for a term of office of eight years.
2. Christian NOYER as Vice-President of the European Central Bank for a term of office of four years.
3. Otmar ISSING as member of the Executive Board of the European Central Bank for a term of office of eight years.
4. Tommaso PADOA SCHIOPPA as member of the Executive Board of the European Central Bank for a term of office of seven years.
5. Eugenio DOMINGO SOLANS as member of the Executive Board of the European Central Bank for a term of office of six years.
6. Sirkka HÄMÄLÄINEN as member of the Executive Board of the European Central Bank for a term of office of five years.

This recommendation shall be submitted for decision to the governments of the Member States at the level of Heads of State or Government adopting the single currency after consulting the European Parliament and the Council of the European Monetary Institute.

This recommendation shall be published in the *Official Journal of the European Communities.*

Done at Brussels, 3 May 1998.

For the Council

The President

G. BROWN